



# ARTICLES OF ASSOCIATION

# Articles of Association

- Most important document in a company.
- Called “the constitution of a company”.
- Sec 4(1) -  
The articles of Association signed by each of the initial shareholders must be submitted together with other documents to register a companies.

THE COMPANIES ACTS 1948 to 1976

COMPANY LIMITED BY GUARANTEE  
AND NOT HAVING A SHARE CAPITAL

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**Memorandum  
AND  
Articles of Association**

**Response Community  
Projects (Earls Court)  
Limited**

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Incorporated the 27<sup>th</sup> day of October 1978  
No. 1386494  
(amended by Special Resolution of 9<sup>th</sup> August 2004)

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# Contents of Articles

- **Sec 13 –**

The articles of association of a company can provide for any matter not inconsistent with the provisions of this Act, and in particular can provide for-

- a. The objects of the company
- b. The rights and obligations of shareholders of the company
- c. The management and administration of the company.

# Application of Model Articles

- **Sec 14 –**
  - The articles of association set out in the *First Schedule* (called as “Model Articles”) should apply in respect of any company.
  - Other than a company limited by guarantee.
  - Except to the extent that the company adopts articles which exclude, modify or inconsistent with the model articles.

# Effect of Articles

- Sec 16 -

The articles of a company should bind the company and its shareholders as if there is a contract between the s/hs and the co.

- Therefore, members can bring action against the co. for breach of contract.

Eg: *Hickman v. Kent*

*Wood v. Odessa Waterworks co.*

# Contd..

- It is a contract between the co. and s/hs and between the s/hs.
- Therefore, the members can only bring action in the capacity of shareholder.

Eg: *Elley v. Positive Government Life Assurance Co.*

# Effect of Statement of Objects in Articles

- The companies *no longer* has to state their objects.
- If the co. wants, it can set out the objectives.
- **Sec 17(1) -**
  - If the Articles set out the objectives of the co. it should be deemed to be a restriction in carrying on any business or activity that is not within those objects.
  - Unless the articles expressly provide otherwise.



- However, even if the Articles provide for such restrictions;
- **According to Sec 17(2) –**
  - The capacity and powers of the company should *not be affected* by such restrictions.
  - An act of the company or a contract or other obligation entered into by the company and a transfer of property by or to the company,
    - *Should NOT* be invalid by reason only of the fact that it was done in contravention of such restriction.

# Reason's for the Position

- To strike a balance between the interests of the co. members and 3<sup>rd</sup> parties who deal with the co.
- Ensure that the company does not suffer from any limitations upon its legal capacity.
- Recognize that the objects clause is not a suitable vehicle for controlling commercial activities.

- **Sec 17(3) –**

Nothing in subsection (2) should affect –



- The ability of a shareholder or director of the company to make an application to court under section 233 to restrain the company from acting in a manner inconsistent with a restriction placed by the articles.
- The liability of a director of the company for acting in breach of the provisions of section 188. (Directors to comply with Act and company's articles).